

CITY OF OMER
Arenac County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2008

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Omer	County Arenac
Fiscal Year End March 31, 2008	Opinion Date May 2, 2008	Date Audit Report Submitted to State May 8, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.


We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.		Telephone Number 989-894-1040	
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
		Zip 48707	
Authorizing CPA Signature 	Printed Name Mark J. Campbell		License Number 1101007803

CITY OF OMER
Arenac County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

May 2, 2008

To the City Council
City of Omer
Arenac County, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of City of Omer, Arenac County, Michigan as of and for the year ended March 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Omer's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of the City of Omer, Arenac County, Michigan as of March 31, 2008, and the respective changes in financial position and cash flows where applicable, of these activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated May 2, 2008, on our consideration of the City's internal control over financial reporting and on tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the City's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

CITY OF OMER
Arenac County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

The Management's Discussion and Analysis report of the City of Omer covers the City's financial performance during the year ended March 31, 2008.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2008, totaled \$533,373.67 for governmental activities and \$1,166,922.72 for business activities.

Overall revenues were \$210,050.04 from governmental activities and \$107,529.68 from business-type activities. Governmental activities had a \$46,769.15 increase in net assets. Business-type activities had an increase in net assets of \$5,068.16.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the City and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental and business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the City in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the City as a whole using accounting methods used by private companies. The statement of net assets includes all of the City's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the City are reported as governmental activities and business-type activities. These include the General Fund, Major Street Fund, Local Street Fund, Services Fund, Water Fund and the Current Tax Collection Fund.

CITY OF OMER
Arenac County, Michigan

CONDENSED FINANCIAL INFORMATION

For the year ended March 31, 2008

	Governmental Activities 2007	Governmental Activities 2008	Business-type Activities 2007	Business-type Activities 2008	Total 2007	Total 2008
Current Assets	268 791	363 705	105 410	122 178	374 201	485 883
Capital Assets	183 569	178 230	1 517 990	1 500 841	1 701 559	1 679 071
Total Assets	452 360	541 935	1 623 400	1 623 019	2 075 760	2 164 954
Current Liabilities	-	-	19 796	20 596	19 796	20 596
Non-current Liabilities	20 746	8 561	441 750	435 500	462 496	444 061
Total Liabilities	20 746	8 561	461 546	456 096	482 292	464 657
Net Assets:						
Invested in Capital Assets	177 112	174 934	1 076 241	1 065 341	1 253 353	1 240 275
Unrestricted	254 502	358 440	85 613	101 582	340 115	460 022
Total Net Assets	431 614	533 374	1 161 854	1 166 923	1 593 468	1 700 297
	Governmental Activities 2007	Governmental Activities 2008	Business-type Activities 2007	Business-type Activities 2008	Total 2007	Total 2008
Program Revenues:						
Fees and Charges for Services	35 952	51 759	90 095	91 241	126 047	143 000
General Revenues:						
Property Taxes	60 946	73 881	-	-	60 946	73 881
State Revenue Sharing	71 598	71 539	-	-	71 598	71 539
Federal funds	-	-	771 000	14 000	771 000	14 000
Interest	3 345	7 320	1 589	2 289	4 934	9 609
Miscellaneous	9 897	5 551	-	-	9 897	5 551
Total Revenues	181 738	210 050	862 684	107 530	1 044 422	317 580
Program Expenses:						
General Government and Administration	107 688	71 940	-	-	107 688	71 940
Public Safety	10 032	10 420	-	-	10 032	10 420
Public Works	73 589	67 395	92 632	102 461	166 221	169 856
Recreation and Culture	-	13 229	-	-	-	13 229
Other	444	297	-	-	444	297
Total Expenses	191 753	163 281	92 632	102 461	284 385	265 742
Increase in Net Assets Before Transfers	(10 015)	46 769	770 052	5 069	760 037	51 838
Transfers	(8 050)	-	8 050	-	-	-
Increase in Net Assets	(18 065)	46 769	778 102	5 069	760 037	51 838
Net Assets, April 1	449 679	486 605	383 752	1 161 854	833 431	1 648 459
Net Assets, March 31	431 614	533 374	1 161 854	1 166 923	1 593 468	1 700 297

CITY OF OMER
Arenac County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the City's funds, focusing on significant (major) funds not the City as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The City Council also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The City has the following types of funds:

Governmental Funds: Some of the City's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the City's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The City's governmental funds include the General Fund, Major Street Fund, Local Street Fund, and the Services Fund.

Business-Type Funds: The City has a Water Fund which includes the activity of providing water to City residents.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Our cash position in both the governmental and business-type activities remains strong.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The General Fund had a increase in fund balance of \$28,282.14. The Major Street Fund had an increase in fund balance of \$10,110.39. The Local Street Fund had an increase in fund balance of \$3,145.62. The Services Fund had a decrease in fund balance of \$1,615.56.

The Water Fund had an increase in net assets of \$5,068.16.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The City's governmental activities invested \$0 in capital assets.

The City's business-type activities invested \$18,047.35 in capital assets.

The City's governmental activities paid \$12,185.06 of principal on long-term debt.

The City's business-type activities paid \$6,250.00 of principal on long-term debt and obtained bond proceeds of \$42,000.00.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE CITY'S MANAGEMENT

This financial report is intended to provide our taxpayers, creditors, investors and customers with a general overview of the City's finances and to demonstrate the City's accountability for the revenues it receives. If you have any questions concerning this report please contact the City Clerk or City Treasurer at 989-653-2566.

CITY OF OMER
Arenac County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2008

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
CURRENT ASSETS:			
Cash in bank	342 596 11	118 651 65	461 247 76
Taxes receivable	15 083 31	-	15 083 31
Accounts receivable	-	3 526 68	3 526 68
Due from State of Michigan	<u>6 025 13</u>	<u>-</u>	<u>6 025 13</u>
Total Current Assets	<u>363 704 55</u>	<u>122 178 33</u>	<u>485 882 88</u>
NON-CURRENT ASSETS:			
Capital Assets	237 821 00	1 764 990 00	2 002 811 00
Less: Accumulated Depreciation	<u>(59 590 50)</u>	<u>(264 149 26)</u>	<u>(323 739 76)</u>
Total Non-current Assets	<u>178 230 50</u>	<u>1 500 840 74</u>	<u>1 679 071 24</u>
TOTAL ASSETS	<u><u>541 935 05</u></u>	<u><u>1 623 019 07</u></u>	<u><u>2 164 954 12</u></u>
LIABILITIES AND NET ASSETS:			
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable	<u>-</u>	<u>20 596 35</u>	<u>20 596 35</u>
Total Current Liabilities	<u>-</u>	<u>20 596 35</u>	<u>20 596 35</u>
NON-CURRENT LIABILITIES:			
Loans payable	3 296 89	-	3 296 89
Bonds payable	-	435 500 00	435 500 00
Judgment payable	<u>5 264 49</u>	<u>-</u>	<u>5 264 49</u>
Total Non-current Liabilities	<u>8 561 38</u>	<u>435 500 00</u>	<u>444 061 38</u>
Total Liabilities	<u>8 561 38</u>	<u>456 096 35</u>	<u>464 657 73</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	174 933 61	1 065 340 74	1 240 274 35
Unrestricted	<u>358 440 06</u>	<u>101 581 98</u>	<u>460 022 04</u>
Total Net Assets	<u>533 373 67</u>	<u>1 166 922 72</u>	<u>1 700 296 39</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>541 935 05</u></u>	<u><u>1 623 019 07</u></u>	<u><u>2 164 954 12</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF OMER
Arenac County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2008

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
General government	71 939 73	5 922 65	(66 017 08)
Public safety	10 420 00	-	(10 420 00)
Public works	67 394 46	21 549 20	(45 845 26)
Culture and recreation	13 229 33	24 286 78	11 057 45
Interest on long-term debt	297 37	-	(297 37)
Total Governmental Activities	<u>163 280 89</u>	<u>51 758 63</u>	<u>(111 522 26)</u>
Business-Type Activities:			
Water	82 907 40	91 240 82	-
Interest on long-term debt	19 554 12	-	-
Total Business-Type Activities	<u>102 461 52</u>	<u>91 240 82</u>	<u>-</u>
Total Government	<u>265 742 41</u>	<u>142 999 45</u>	<u>(111 522 26)</u>
General Revenues:			
Property taxes			73 880 75
State revenue sharing			71 538 88
Federal grants			-
Interest			7 320 34
Miscellaneous			<u>5 551 44</u>
Total General Revenues			<u>158 291 41</u>
Change in net assets			46 769 15
Net assets, beginning of year			<u>486 604 52</u>
Net Assets, End of Year			<u>533 373 67</u>

The accompanying notes are an integral part of these financial statements.

<u>Business-Type Activities</u>	<u>Total</u>
<u>Net (Expense) Revenue and Changes in Net Assets</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
-	(66 017 08)
-	(10 420 00)
-	(45 845 26)
-	11 057 45
-	(297 37)
-	(111 522 26)
8 333 42	8 333 42
(19 554 12)	(19 554 12)
(11 220 70)	(11 220 70)
(11 220 70)	(122 742 96)
-	73 880 75
-	71 538 88
14 000 00	14 000 00
2 288 86	9 609 20
-	5 551 44
16 288 86	174 580 27
5 068 16	51 837 31
1 161 854 56	1 648 459 08
1 166 922 72	1 700 296 39

CITY OF OMER
Arenac County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2008

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Other Funds (Services)</u>
<u>Assets</u>				
Cash in bank	206 932 85	73 722 21	48 610 23	12 515 51
Taxes receivable	10 751 20	-	1 577 11	2 755 00
Due from State of Michigan	-	3 669 64	2 355 49	-
Due from other funds	<u>7 544 51</u>	<u>-</u>	<u>889 20</u>	<u>-</u>
Total Assets	<u>225 228 56</u>	<u>77 391 85</u>	<u>53 432 03</u>	<u>15 270 51</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Due to other funds	<u>-</u>	<u>1 839 70</u>	<u>5 778 70</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>1 839 70</u>	<u>5 778 70</u>	<u>-</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	<u>225 228 56</u>	<u>75 552 15</u>	<u>47 653 33</u>	<u>15 270 51</u>
Total fund equity	<u>225 228 56</u>	<u>75 552 15</u>	<u>47 653 33</u>	<u>15 270 51</u>
Total Liabilities and Fund Equity	<u>225 228 56</u>	<u>77 391 85</u>	<u>53 432 03</u>	<u>15 270 51</u>

The accompanying notes are an integral part of these financial statements.

Total

341 780 80

15 083 31

6 025 13

8 433 71

371 322 95

7 618 40

7 618 40

363 704 55

363 704 55

371 322 95

CITY OF OMER
Arenac County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	363 704 55
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	237 821 00
Accumulated depreciation	(59 590 50)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the government funds:	
Loan payable	(3 296 89)
Judgment payable	<u>(5 264 49)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>533 373 67</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF OMER
Arenac County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2008

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Other Funds (Services)</u>
Revenues:				
Property taxes	63 980 12	-	9 900 63	-
State revenue sharing	38 938 99	19 853 80	12 746 09	-
Charges for services:				
PTAF	2 287 65	-	-	-
Library	24 286 78	-	-	-
Other	10 364 20	-	-	-
Interest	4 911 75	1 321 95	881 30	205 34
Special assessments	-	-	-	14 820 00
Miscellaneous	<u>5 275 44</u>	<u>276 00</u>	<u>-</u>	<u>-</u>
Total revenues	<u>150 044 93</u>	<u>21 451 75</u>	<u>23 528 02</u>	<u>15 025 34</u>
Expenditures:				
General government	69 811 23	-	-	-
Public safety	10 420 00	-	-	-
Public works	15 819 80	6 377 91	25 345 85	16 640 90
Culture and recreation	13 229 33	-	-	-
Debt service	<u>12 482 43</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>121 762 79</u>	<u>6 377 91</u>	<u>25 345 85</u>	<u>16 640 90</u>
Excess (deficiency) of revenues over expenditures	<u>28 282 14</u>	<u>15 073 84</u>	<u>(1 817 83)</u>	<u>(1 615 56)</u>
Other financing sources (uses):				
Operating transfers in	-	-	4 963 45	-
Operating transfers out	<u>-</u>	<u>(4 963 45)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>(4 963 45)</u>	<u>4 963 45</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	28 282 14	10 110 39	3 145 62	(1 615 56)
Fund balances, April 1	<u>196 946 42</u>	<u>65 441 76</u>	<u>44 507 71</u>	<u>16 886 07</u>
Fund Balances, March 31	<u>225 228 56</u>	<u>75 552 15</u>	<u>47 653 33</u>	<u>15 270 51</u>

The accompanying notes are an integral part of these financial statements.

Total

73 880 75
71 538 88

2 287 65
24 286 78
10 364 20
7 320 34
14 820 00
5 551 44

210 050 04

69 811 23
10 420 00
64 184 46
13 229 33
12 482 43

170 127 45

39 922 59

4 963 45
(4 963 45)

-

39 922 59

323 781 96

363 704 55

CITY OF OMER
Arenac County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 39 922 59

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(5 338 50)
Capital Outlay	-

Repayment of debt principal is an expenditure in the governmental funds, the repayment
does not have an effect in the statement of activities but does reduce the debt balance
in the statement of net assets

Principal payments on long-term debt	<u>12 185 06</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>46 769 15</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF OMER
Arenac County, Michigan

STATEMENT OF NET ASSETS – BUSINESS-TYPE FUNDS
March 31, 2008

	<u>Total (Water)</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	118 651 65
Accounts receivable	<u>3 526 68</u>
Total Current Assets	<u>122 178 33</u>
NON-CURRENT ASSETS:	
Capital Assets	1 764 990 00
Less: Accumulated Depreciation	<u>(264 149 26)</u>
Total Non-current Assets	<u>1 500 840 74</u>
TOTAL ASSETS	<u><u>1 623 019 07</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>20 596 35</u>
Total Current Liabilities	<u>20 596 35</u>
NON-CURRENT LIABILITIES:	
Bonds payable	<u>435 500 00</u>
Total Non-current Liabilities	<u>435 500 00</u>
Total Liabilities	<u>456 096 35</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	1 065 340 74
Unrestricted	<u>101 581 98</u>
Total Net Assets	<u>1 166 922 72</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>1 623 019 07</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF OMER
Arenac County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
BUSINESS-TYPE FUNDS
Year ended March 31, 2008

	<u>Total (Water)</u>
OPERATING REVENUES:	
Charges for services	73 741 41
Miscellaneous	<u>17 499 41</u>
Total Operating Revenues	<u>91 240 82</u>
OPERATING EXPENSES:	
Wages	13 531 44
Benefits	1 035 16
Supplies	3 389 68
Water purchases	8 653 36
Insurance	2 000 00
Utilities	7 557 90
Repairs and maintenance	4 767 25
Miscellaneous	<u>6 775 26</u>
Total Operating Expenses	<u>47 710 05</u>
Operating Income (loss) before depreciation	43 530 77
Less: depreciation	<u>(35 197 35)</u>
Operating income (loss)	<u>8 333 42</u>
NON-OPERATING REVENUES (EXPENSES):	
Federal grant	14 000 00
Interest income	2 288 86
Interest expense	<u>(19 554 12)</u>
Total Non-operating Expenses	<u>(3 265 26)</u>
Change in net assets	5 068 16
Net assets, beginning of year	<u>1 161 854 56</u>
Net Assets, End of Year	<u><u>1 166 922 72</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF OMER
Arenac County, Michigan

STATEMENT OF CASH FLOWS – BUSINESS-TYPE FUNDS
Year ended March 31, 2008

	<u>Total (Water)</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	90 335 75
Cash payments to suppliers for goods and services	(33 378 11)
Cash payments to employees for services	<u>(13 531 44)</u>
Net cash provided (used) by operating activities	<u>43 426 20</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Additions to capital assets	(18 047 35)
Capital grant proceeds	14 000 00
Principal paid on bonds	(6 250 00)
Interest paid on bonds	<u>(19 554 12)</u>
Net cash provided (used) by capital and related financing activities	<u>(29 851 47)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	<u>2 288 86</u>
Net cash provided (used) by investing activities	<u>2 288 86</u>
Net increase in cash	15 863 59
Cash beginning of year	<u>102 788 06</u>
Cash End of Year	<u><u>118 651 65</u></u>
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Income (loss) from operations	8 333 42
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:	
Depreciation	35 197 35
(Increase) decrease in receivables	(905 07)
Increase (decrease) in payables	<u>800 50</u>
Net Cash Provided (Used) in Operating Activities	<u><u>43 426 20</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF OMER
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the City of Omer, Arenac County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the City contain all the City funds that are controlled by or dependent on the City's executive or legislative branches.

The reporting entity is the City of Omer. The City is governed by an elected City Council. As required by generally accepted accounting principles, these financial statements present the City as the primary government.

Joint Venture

The City is a member of the Omer-Arenac Fire Board. The City appoints two members to the joint venture's governing board, which then approves the annual budget. Financial information of the joint venture may be obtained from the Fire Board at 2234 Sterling Road in Omer, Michigan.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental and business-type funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

CITY OF OMER
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

This fund is used to account for assets held as an agent for others.

Proprietary Fund

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer enterprise funds are charges to customers for services. The enterprise funds also recognize as operating revenues the tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the City. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

CITY OF OMER
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. These taxes are due on February 14. The 2007 tax roll millage rate was 14.9238 and the taxable value was \$4,950,675.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the City as assets with an initial cost of more than \$2,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	10-25 years
Furniture and equipment	5-10 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The City provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

CITY OF OMER
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the City Council for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the City Council.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the City Council.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the City Council during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the City to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The City Council has designated three financial institutions for the deposit of City funds. The investment policy adopted by the Council in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The City's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>461 247 76</u>

CITY OF OMER
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 3 – Deposits and Investments (continued)

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	165 170 45
Uninsured and Uncollateralized	<u>305 142 87</u>
Total Deposits	<u><u>470 313 32</u></u>

The City of Omer did not have any investments as of March 31, 2008.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds and the mutual funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

CITY OF OMER
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Note 4 – Capital Assets

Capital asset activity of the City's Governmental and Business-Type activities for the current year was as follows:

	Balance 4/1/07	Additions	Deletions	Balance 3/31/08
<u>Governmental Activities:</u>				
Land	161 500 00	-	-	161 500 00
Buildings	38 836 00	-	-	38 836 00
Equipment	37 485 00	-	-	37 485 00
Total	237 821 00	-	-	237 821 00
Accumulated Depreciation	(54 252 00)	(5 338 50)	-	(59 590 50)
Net Governmental Capital Assets	183 569 00	(5 338 50)	-	178 230 50
<u>Business-Type Activities:</u>				
Water Systems	1 746 942 65	18 047 35	-	1 764 990 00
Accumulated Depreciation	(228 951 91)	(35 197 35)	-	(264 149 26)
Net Business-Type Capital Assets	1 517 990 74	(17 150 00)	-	1 500 840 74

Note 5 – Deferred Compensation Plan

The City does not have a deferred compensation plan.

Note 6 – Pension Plan

The City does not have a pension plan.

Note 7 – Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	Balance 4/1/07	Additions	Deductions	Balance 3/31/08
Water bonds payable	441 750 00	-	6 250 00	435 500 00
Judgment payable	14 289 33	-	9 024 84	5 264 49
Loan payable – pickup	6 457 11	-	3 160 22	3 296 89
Total	462 496 44	-	18 435 06	444 061 38

Note 8 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
General	950 50	Major Street	950 50
General	5 778 70	Local Street	5 778 70
Local Street	889 20	Major Street	889 20
General	815 31	Current Tax Collection	815 31
Total	8 433 71	Total	8 433 71

CITY OF OMER
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Note 9 – Water Revenue Bonds – 1997

On March 12, 1997, the City sold water revenue bonds, series A in the amount of \$277,000.00 and series B in the amount of \$90,000.00. The bond proceeds were used to partially pay for improvements to the water system. The bonds which bear interest at the rate of 4.5% per annum are recorded in the Water Fund. As of March 31, 2008, the principal balance of the bonds outstanding was \$322,000.00.

<u>Due April 1</u>	<u>Principal Amount</u>
2008	5 000 00
2009	5 000 00
2010	7 000 00
2011	7 000 00
2012	7 000 00
2013	7 000 00
2014	7 000 00
2015	8 000 00
2016	8 000 00
2017	8 000 00
2018	8 000 00
2019	9 000 00
2020	9 000 00
2021	9 000 00
2022	11 000 00
2023	11 000 00
2024	11 000 00
2025	12 000 00
2026	12 000 00
2027	12 000 00
2028	13 000 00
2029	14 000 00
2030	16 000 00
2031	16 000 00
2032	17 000 00
2033	17 000 00
2034	18 000 00
2035	19 000 00
2036	<u>19 000 00</u>
Total	<u>322 000 00</u>

Note 10 – Water Revenue Bonds – 2006

On February 28, 2006, the City sold water revenue bonds, series A in the amount of \$86,000.00 and series B in the amount of \$30,000.00. The bond proceeds were used to partially pay for improvements to the water system. The bonds which bear interest at the rate of 4.25% and 4.50% respectively, per annum and are recorded in the Water Fund. As of March 31, 2008, the principal balance of the bonds outstanding was \$113,500.00.

CITY OF OMER
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Note 10 – Water Revenue Bonds – 2006 – (continued)

<u>Due April 1</u>	<u>Principal Amount</u>
2008	1 250 00
2009	1 250 00
2010	1 250 00
2011	1 250 00
2012	1 250 00
2013	1 250 00
2014	1 250 00
2015	1 500 00
2016	1 500 00
2017	1 500 00
2018	1 500 00
2019	1 500 00
2020	2 500 00
2021	2 500 00
2022	2 500 00
2023	2 500 00
2024	2 500 00
2025	2 500 00
2026	2 750 00
2027	2 750 00
2028	2 750 00
2029	2 750 00
2030	2 750 00
2031	3 000 00
2032	4 000 00
2033	4 000 00
2034	4 000 00
2035	4 000 00
2036	4 000 00
2037	4 000 00
2038	4 250 00
2039	4 250 00
2040	5 250 00
2041	5 250 00
2042	5 500 00
2043	5 500 00
2044	5 500 00
2045	<u>6 000 00</u>
Total	<u>113 500 00</u>

CITY OF OMER
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 11 – Loan Payable – Pickup

On September 13, 2005, the City obtained a loan in the amount of \$9,470.60 to fund the purchase of a pickup. The loan requires 3 annual payments of \$3,457.59, including interest at the rate of 4.625% per annum. As of March 31, 2008, the outstanding principal balance was \$3,296.89.

Note 12 – Judgment Payable

On August 23, 2005, a judgment was made against the City in the amount of \$27,074.52. The judgment requires 36 monthly payments of \$752.07. As of March 31, 2008, the outstanding principal balance was \$5,264.49.

Note 13 – Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The City has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 14 – Building Permits

The City of Omer does not issue building permits. Building permits are issued by the County of Arenac.

Note 15 – Interfund Transfers

The amounts of interfund transfers are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
Local Street	<u>4 963 45</u>	Major Street	<u>4 963 45</u>
Total	<u>4 963 45</u>	Total	<u>4 963 45</u>

Note 16 – Restatement

An adjustment was made to restate the Net Assets of Governmental Activities at 3/31/2007 as follows:

Net Assets – March 31, 2007	431 613 99
Prior Period Restatement:	
Adjustment due to outstanding transfer at 3/31/2007 from Current Tax Collection Fund to General Fund	<u>54 990 53</u>
Adjusted Net Assets – April 1, 2007	<u>486 604 52</u>

CITY OF OMER
Arenac County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	60 000 00	60 000 00	63 980 12	3 980 12
State revenue sharing	38 000 00	38 000 00	38 938 99	938 99
Charges for services:				
PTAF	2 031 00	2 031 00	2 287 65	256 65
Library	17 000 00	17 000 00	24 286 78	7 286 78
Other	13 000 00	13 000 00	10 364 20	(2 635 80)
Interest	1 350 00	1 350 00	4 911 75	3 561 75
Miscellaneous	<u>1 350 00</u>	<u>1 350 00</u>	<u>5 275 44</u>	<u>3 925 44</u>
Total revenues	<u>132 731 00</u>	<u>132 731 00</u>	<u>150 044 93</u>	<u>17 313 93</u>
Expenditures:				
General government	93 000 00	93 000 00	69 811 23	(23 188 77)
Public safety	12 000 00	12 000 00	10 420 00	(1 580 00)
Public works	16 500 00	16 500 00	15 819 80	(680 20)
Culture and Recreation	13 500 00	13 500 00	13 229 33	(270 67)
Capital outlay	1 000 00	1 000 00	-	(1 000 00)
Debt service	<u>12 524 80</u>	<u>12 524 80</u>	<u>12 482 43</u>	<u>(42 37)</u>
Total expenditures	<u>148 524 80</u>	<u>148 524 80</u>	<u>121 762 79</u>	<u>(26 762 01)</u>
Excess (deficiency) of revenues over expenditures	(15 793 80)	(15 793 80)	28 282 14	44 075 94
Fund balance, April 1	<u>50 000 00</u>	<u>50 000 00</u>	<u>196 946 42</u>	<u>146 946 42</u>
Fund Balance, March 31	<u><u>34 206 20</u></u>	<u><u>34 206 20</u></u>	<u><u>225 228 56</u></u>	<u><u>191 022 36</u></u>

CITY OF OMER
Arenac County, Michigan

BUDGETARY COMPARISON SCHEDULE – MAJOR STREET FUND
Year ended March 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
State revenue sharing	20 400 00	20 400 00	19 853 80	(546 20)
Interest	300 00	300 00	1 321 95	1 021 95
Miscellaneous	<u>1 000 00</u>	<u>1 000 00</u>	<u>276 00</u>	<u>(724 00)</u>
Total revenues	<u>21 700 00</u>	<u>21 700 00</u>	<u>21 451 75</u>	<u>(248 25)</u>
Expenditures:				
Public works:				
Highways and streets	<u>13 000 00</u>	<u>13 000 00</u>	<u>6 377 91</u>	<u>(6 622 09)</u>
Total expenditures	<u>13 000 00</u>	<u>13 000 00</u>	<u>6 377 91</u>	<u>(6 622 09)</u>
Excess (deficiency) of revenues over expenditures	<u>8 700 00</u>	<u>8 700 00</u>	<u>15 073 84</u>	<u>6 373 84</u>
Other financing sources (uses):				
Operating transfers out	<u>-</u>	<u>-</u>	<u>(4 963 45)</u>	<u>(4 963 45)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(4 963 45)</u>	<u>(4 963 45)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>8 700 00</u>	<u>8 700 00</u>	<u>10 110 39</u>	<u>1 410 39</u>
Fund balance, April 1	<u>62 876 00</u>	<u>62 876 00</u>	<u>65 441 76</u>	<u>2 565 76</u>
Fund Balance, March 31	<u><u>71 576 00</u></u>	<u><u>71 576 00</u></u>	<u><u>75 552 15</u></u>	<u><u>3 976 15</u></u>

CITY OF OMER
Arenac County, Michigan

BUDGETARY COMPARISON SCHEDULE – LOCAL STREET FUND
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	9 400 00	9 400 00	9 900 63	500 63
State revenue sharing	12 000 00	12 000 00	12 746 09	746 09
Interest	200 00	200 00	881 30	681 30
Miscellaneous	-	-	-	-
Total revenues	<u>21 600 00</u>	<u>21 600 00</u>	<u>23 528 02</u>	<u>1 928 02</u>
Expenditures:				
Public works:				
Highways and streets	<u>41 400 00</u>	<u>41 400 00</u>	<u>25 345 85</u>	<u>(16 054 15)</u>
Total expenditures	<u>41 400 00</u>	<u>41 400 00</u>	<u>25 345 85</u>	<u>(16 054 15)</u>
Excess (deficiency) of revenues over expenditures	<u>(19 800 00)</u>	<u>(19 800 00)</u>	<u>(1 817 83)</u>	<u>17 982 17</u>
Other financing sources (uses):				
Operating transfers in	-	-	4 963 45	4 963 45
Total other financing sources (uses)	-	-	<u>4 963 45</u>	<u>4 963 45</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(19 800 00)	(19 800 00)	3 145 62	22 945 62
Fund balance, April 1	<u>39 537 00</u>	<u>39 537 00</u>	<u>44 507 71</u>	<u>4 970 71</u>
Fund Balance, March 31	<u>19 737 00</u>	<u>19 737 00</u>	<u>47 653 33</u>	<u>27 916 33</u>

CITY OF OMER
Arenac County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2008

	<u>Balance</u> <u>4/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/08</u>
<u>Assets</u>				
Cash in Bank	<u>13 031 88</u>	<u>248 409 81</u>	<u>260 626 38</u>	<u>815 31</u>
<u>Liabilities</u>				
Due to other funds	1 624 98	78 201 43	79 011 10	815 31
Due to others	<u>11 406 90</u>	<u>170 208 38</u>	<u>181 615 28</u>	<u>-</u>
Total Liabilities	<u>13 031 88</u>	<u>248 409 81</u>	<u>260 626 38</u>	<u>815 31</u>

CITY OF OMER
Arenac County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year ended March 31, 2008

Cash in bank – beginning of year	<u>13 031 88</u>
Cash receipts:	
Property tax	247 519 64
Interest	<u>890 17</u>
Total cash receipts	<u>248 409 81</u>
Total beginning balance and cash receipts	<u>261 441 69</u>
Cash disbursements:	
City of Omer	79 011 10
Arenac County	63 790 59
Bay – Arenac Intermediate School District	22 858 05
Arenac Eastern School District	51 395 98
Refunds	<u>43 570 66</u>
Total cash disbursements	<u>260 626 38</u>
Cash in Bank – End of Year	<u><u>815 31</u></u>

CAMPBELL, KUSTERER & CO., P.C.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

May 2, 2008

To the City Council
City of Omer
Arenac County, Michigan

We have audited the financial statements of the City of Omer, Arenac County, Michigan as of and for the year ended March 31, 2008, and have issued our report thereon dated May 2, 2008. We conducted our audit in accordance with generally accepted auditing standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As a part of obtaining reasonable assurance about whether City of Omer's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect of the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclose no instances of non-compliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Omer's internal control over financial reporting in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted an inadequate control over cash transactions caused by an inherent lack of segregation of duties which is due to the limited number of office personnel employed involving the internal control over financial reporting and its operation that we consider to be a material weakness.

This report is intended for the information of management and other regulatory agencies. However, this report is a matter of public records and its distribution is not limited.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

May 2, 2008

To the City Council
City of Omer
Arenac County, Michigan

We have audited the financial statements of the City of Omer for the year ended March 31, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the City of Omer in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the City Council
City of Omer
Arenac County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

The City's system of internal control is affected by the size of the staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The City cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the City Council Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the City's financial statements and this communication of these matters does not affect our report on the City's financial statements, dated March 31, 2008.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants